



**United Nations**

**Report of the  
Commissioner-General  
of the United Nations  
Relief and Works Agency  
for Palestine Refugees in  
the Near East**

**1 January-31 December 2005**

**General Assembly  
Official Records  
Sixty-first Session  
Supplement No. 13 (A/61/13)**

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United Nations • New York, 2006

*Note*

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## Contents

|                                                                                                                                                                                                                                | <i>Paragraphs</i> | <i>Page</i> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------|
| Letter of transmittal .....                                                                                                                                                                                                    |                   | iv          |
| Letter dated 28 September 2006 from the Chairperson of the Advisory Commission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East addressed to the Commissioner-General of the Agency ..... |                   | viii        |
| I. Overview .....                                                                                                                                                                                                              | 1-72              | 1           |
| A. Political, economic and security developments .....                                                                                                                                                                         | 9-18              | 2           |
| B. Internal developments .....                                                                                                                                                                                                 | 19-29             | 3           |
| C. Operational context .....                                                                                                                                                                                                   | 30-39             | 5           |
| 1. Emergency operations .....                                                                                                                                                                                                  | 30                | 5           |
| 2. Refugee access .....                                                                                                                                                                                                        | 31-34             | 5           |
| 3. Staff security .....                                                                                                                                                                                                        | 35-37             | 6           |
| 4. Palestine refugees in Lebanon .....                                                                                                                                                                                         | 38-39             | 7           |
| D. Legal matters .....                                                                                                                                                                                                         | 40-64             | 7           |
| 1. Agency staff .....                                                                                                                                                                                                          | 42-48             | 7           |
| 2. Agency services and premises .....                                                                                                                                                                                          | 49-56             | 9           |
| 3. Other legal matters .....                                                                                                                                                                                                   | 57-60             | 10          |
| 4. Legal status of Palestine refugees in the Agency's fields of operation .....                                                                                                                                                | 61-64             | 10          |
| E. Financial overview .....                                                                                                                                                                                                    | 65-72             | 11          |
| 1. Sources of funding .....                                                                                                                                                                                                    | 65                | 11          |
| 2. Expenditure .....                                                                                                                                                                                                           | 66-68             | 12          |
| 3. Audit activities .....                                                                                                                                                                                                      | 69-72             | 13          |
| II. Subprogramme overview .....                                                                                                                                                                                                | 73-100            | 14          |
| A. Performance report for sub-goal I: education .....                                                                                                                                                                          | 73-79             | 14          |
| B. Performance report for sub-goal II: health .....                                                                                                                                                                            | 80-86             | 17          |
| C. Performance report for sub-goal III: relief and social services .....                                                                                                                                                       | 87-94             | 20          |
| D. Performance report for sub-goal IV: microfinance and microenterprise .....                                                                                                                                                  | 95-100            | 24          |

## Letter of transmittal

28 September 2006

I have the honour to submit to the General Assembly my annual report on the work of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) for the period 1 January 2005 – 31 December 2005. The report is submitted in compliance with the request contained in paragraph 21 of resolution 302 (IV) of 8 December 1949 and with paragraph 8 of resolution 1315 (XIII) of 12 December 1958.

For the first time, the report covers a calendar year — a departure from the previous practice of reporting on events in a July-to-June cycle. This change was prompted by the need to synchronize the report with annual budgeting and planning processes. The first section of the report summarizes significant internal developments; our operational context, which spans five fields of operation and includes the occupied Palestinian territory; and the Agency's financial status. The latter part of the report is devoted to overviews of the four programme areas: education, health, relief and social services, and microfinance and microenterprise.

As the Agency's working environment is subject to rapid — often unforeseen — change, new realities have imposed themselves upon the matters addressed in the 2005 report. Therefore, I would like to take this opportunity to draw your attention to some critical aspects of events in Lebanon and the occupied Palestinian territory during the first seven months of 2006.

### *Lebanon*

Hostilities in Lebanon have precipitated a complex emergency that engages the mandates of many humanitarian actors. Of the 405,000 Palestine refugees registered with UNRWA in Lebanon, 104,000 reside in camps in and around Saida and a further 99,000 are registered in the vicinity of Tyre. These communities were most directly affected by the armed conflict that raged until a cessation of hostilities entered into force on 14 August 2006. While focused on the plight of Palestine refugees within its mandate, UNRWA extended its support to anyone who needed help within the wider Lebanese population. Twenty-five health clinics were open to all with 600 health-care workers in attendance. In Saida, Tyre, Beirut and North Lebanon, UNRWA teams cared for displaced persons who took refuge in UNRWA schools. The Agency played an active role in organizing the evacuation of United Nations staff and dependants to safety in the Syrian Arab Republic and Jordan and has continued to assist sister United Nations agencies with logistics, transport, lodging for emergency staff and other support. Sadly, we lost one staff member.

President of the General Assembly  
United Nations  
New York

Abdul-Rahman Atieh Sagher was killed in an Israeli air strike just minutes after he had begun his shift as a sanitation labourer in Ein el Hilweh Camp and hours before the cessation of hostilities took hold. He worked for UNRWA for 21 years.

UNRWA participated in an inter-agency United Nations flash appeal launched on 24 July 2006. The Agency asked for \$7.2 million, including \$1 million for emergency activities in the Syrian Arab Republic. The appeal covered resources needed for emergency food rations, household items, emergency health-care kits, hospitalization costs and measures to protect staff and secure installations. Emergency activities also addressed the urgent task of repairing disrupted water supplies.

Prior to the outbreak of hostilities, Prime Minister Siniora had taken a very welcome initiative to improve the living conditions in Palestinian refugee camps in Lebanon, and UNRWA was working closely with the Lebanese Government to advance this initiative. The conflict caused greater hardship in the camps, where Lebanese civilians sought refuge in large numbers. Continuing our efforts to improve camp conditions is more critical than ever. In its plan for recovery, the Government of Lebanon has included an appeal for \$3 million for critical projects in the camps, again demonstrating its commitment to improving the lives of refugees.

#### *The occupied Palestinian territory*

Living conditions in the occupied Palestinian territory have deteriorated rapidly over the course of 2006, resulting in substantially increased demands for the Agency's services. By the end of 2005, the effects of the second intifada already weighed heavily on the occupied Palestinian territory and its residents. Poverty, unemployment and economic stagnation were at high levels and coping mechanisms were exhausted. The election of a new Government in January 2006, led by Hamas, brought on a de facto sanctions regime under which Israel and major donors cut off the flow of funds to the Palestinian Authority and virtually froze banking transactions. This brought socio-economic and living conditions to new lows. With the Palestinian Authority unable to pay the salaries of its 152,000 employees from March 2006, public services for health, water, sanitation and energy were severely disrupted, causing a steep decline in living conditions. Unemployment, poverty and food insecurity rose steeply as the closure regime was tightened, as small businesses and shops were forced to close for lack of credit and as Palestinian access to Israeli labour and markets was blocked. These conditions were not conducive to stability and the rule of law in the occupied Palestinian territory.

In response to rapidly deteriorating conditions, UNRWA increased its 2006 emergency requirements from \$95 million to \$171 million in May. Activities foreseen under this appeal included an expansion of the emergency job creation and cash assistance programmes to partly meet sharply increased demand. The Agency also expanded its assistance to include support for some 23,000 Palestine refugees employed by the Palestine Authority and therefore bereft of income.

In May 2006, the Quartet endorsed a proposal by the European Union to establish a Temporary International Mechanism to ensure the direct delivery of limited assistance to the Palestinian people. Fuel and spare parts were delivered to one public utility in Gaza during the last week of July, and the first payments to some health sector workers were announced on 27 July 2006. However, by the end of August, there was no indication as to when allowances to the poor would be paid.

On 25 June 2006, Palestinian militants attacked an Israel Defense Forces (IDF) military post at Kerem Shalom, killing two IDF soldiers, injuring four and taking one captive. This action caused the armed conflict to reach new levels of intensity, with refugees and civilians in the Gaza Strip bearing the brunt of the violence. The human toll at the end of July stood at 161 dead, 605 injured and thousands displaced from their homes. Palestinian militants increased the firing of rockets into Israel and frequent IDF incursions into Gaza were met with armed resistance. Shelling and aerial bombardment by IDF destroyed homes, small businesses and vital infrastructure, including the Gaza airport, two ministries, six bridges and all six transformers of the Gaza Strip's power plant, which supplied 43 per cent of Gaza's electricity. The consequent disruption of electricity and water supplies served to further worsen humanitarian conditions. Some 3,000 displaced persons from the Beit Hanoun, Meghazi, Beit Lahia and Rafah areas, who were not taken in by family or friends, were given temporary refuge and care in six UNRWA schools. With the 2006-07 school year due to commence in September, UNRWA was exploring alternative ways to accommodate the displaced.

From January through July 2006, Karni crossing was closed for 42 per cent of the time, compared to 18 per cent in 2005 and 19 per cent in 2004. The closures, which Israeli authorities have ascribed to security reasons, resulted in severe shortages of medicines and basic food items such as flour and protein sources. Closures of Karni crossing in the same period caused UNRWA to incur storage, demurrage and transport charges of \$736,490.

At Erez crossing, starting in May 2006, procedures on the ground became very restrictive and unpredictable. Restrictions have also increased on the movement of UNRWA staff members within the West Bank, including to and from East Jerusalem, largely as a result of the continued construction of the barrier in the occupied Palestinian territory.

#### *Internal developments*

During the first seven months of 2006, a critical phase of the process of organizational reform was successfully completed with the help of consultants and under the leadership of my deputy, Filippo Grandi. The Agency underwent a period of intensive reflection and discussion on the question of how best its management could be enhanced to enable the Agency to fulfil its mandate more effectively. The resulting initiatives cover critical areas of improvement, including programme cycle management, strategic planning, resource mobilization and public information. Together they constitute the spectrum of measures required to modernize and strengthen the management of UNRWA. Stakeholders were consulted at every stage of the process. The entire organizational development package was presented to a meeting of the UNRWA Advisory Commission in June, at which it was broadly welcomed. The Agency is in the process of raising funds to meet the \$30 million three-year budget. Our donors and host countries acknowledge that improving the way the Agency functions will make it better able to address the needs of the Palestine refugees. The humanitarian crises in Lebanon and the Gaza Strip have, meanwhile, created new demands on donor funds. Nevertheless, the Agency hopes that it will be able to implement these critical reforms, which will enable it to more effectively reach those most in need.

Following established practice, the annual report in draft form was distributed in advance to the members of the Advisory Commission, whose comments and observations were given careful consideration. The draft report was discussed with the Commission at a meeting held in Amman on 27 and 28 September 2006. The views of the Commission are contained in a letter addressed to me from the Chairperson of the Advisory Commission. A copy of the letter follows.

I have maintained the practice of showing my report in draft form to representatives of the Government of Israel. Pursuant to the General Assembly decision that the Advisory Commission establish a working relationship with the Palestine Liberation Organization (PLO) (decision 48/417 of 10 December 1993), a representative of PLO participated as an observer at the meeting of the Commission on 27 and 28 September 2006 and a copy of the draft report was shared with him. The report was discussed during the meeting of the Advisory Commission, held on 27 and 28 September and comprising 24 members and observers, including the delegation of Palestine, which participated fully as an observer. A representative of the European Community also attended the meeting.

*(Signed)* Karen **Koning AbuZayd**  
Commissioner-General  
United Nations Relief and Works Agency  
for Palestine Refugees in the Near East

**Letter dated 28 September 2006 from the Chairperson of the  
Advisory Commission of the United Nations Relief and Works  
Agency for Palestine Refugees in the Near East addressed to the  
Commissioner-General of the Agency**

At its regular session of 26 September 2006, the Advisory Commission of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) considered your draft annual report on the Agency's activities and operations during the period from 1 January 2005 to 31 December 2005, which is to be submitted to the General Assembly at its sixty-first session. The Commission commends your decision to start providing reports to the General Assembly in a calendar year format, noting that this decision should help establish more direct linkage between the Agency's strategic and financial planning by synchronizing its annual reporting with its budget planning process, which is already based on the calendar year. However, the Commission notes that this change has necessarily forced you to report again on the Agency's activities for the period January to June 2005. To avoid unnecessary duplication, the Commission has focused on the last six months of your report and on your letter of transmittal.

The Commission is committed to supporting you in discharging your duties and has also implemented a number of internal organizational changes since the General Assembly decided to expand the number of the Commission's members last December, during its sixtieth session. On 19 June 2006, the members of the expanded Commission adopted formal rules of procedure and developed an annual workplan to more effectively support your efforts to develop the enhanced strategic response to the significant challenges described in your report.

The Commission is particularly concerned with the deteriorating situation in the Gaza Strip, the West Bank and Lebanon. The unilateral disengagement by Israel in 2005 from the Gaza Strip and the northern West Bank did not bring the hoped-for stabilization and subsequent phasing out of UNRWA emergency operations. On the contrary, early in 2006, UNRWA was compelled to once again expand its emergency operations in the West Bank, the Gaza Strip and Lebanon, where Israeli military operations had severe consequences on the situation of Palestine refugees and Lebanese civilians, many of whom were displaced. The Commission commends UNRWA for its efforts in addressing the urgent needs of Palestine refugees and of those displaced Lebanese civilians who sought the Agency's assistance. The Commission commends the Agency's staff who remained in the Gaza Strip and Lebanon during hostilities in order to ensure continuation of all regular programme and emergency operations. The deteriorating economic situation and increased poverty in the West Bank and especially in the Gaza Strip have created additional demand on the Agency's services. This makes the role of UNRWA in providing essential services and humanitarian assistance to the Palestine refugees even more important during the current crisis and necessitates a vital role of donor support to the Agency's appeals. In addition, the Commission urges UNRWA to continue to closely monitor and report to its stakeholders on violations of international humanitarian law.

The Commission is concerned that the separation wall/fence, closures, curfews and other restrictions imposed by the Israeli authorities in both the West Bank and the Gaza Strip, will lead to further hardship for the affected Palestinian population.

These restrictions obstruct access to employment, income and essential goods and services. They have, moreover, seriously restricted the ability of the Agency to move staff and humanitarian assistance to those in urgent need. The Commission therefore reiterates the urgent need to remove restrictions regarding the movement of Agency staff and goods, in keeping with international law, the November 2005 Agreement on Movement and Access and the agreements between UNRWA and the Government of Israel. In this connection, the Commission reaffirms the need to respect the integrity of the United Nations and the immunities of its staff operating in areas of conflict, as stated in Security Council resolution 1502 (2003) on the protection of United Nations personnel, associated personnel and humanitarian personnel in conflict zones.

The Commission is concerned about the costs emanating from the various restrictions imposed by Israel, such as \$492,934 in relation to problems with the movement of UNRWA employees and some \$1,355,149 for excess storage and demurrage charges in 2005. The Commission opposes Israel's continued efforts to impose a direct tax charge on Agency containers passing through Karni, amounting to \$98,396, as this violates the exemption granted to UNRWA under the 1946 Convention on the Privileges and Immunities of the United Nations. The Commission endorses the Agency's demands for compensation for damaged UNRWA installations from the Israeli authorities and the reimbursement of all outstanding port charges (\$25,764,820) and to be henceforth exempted from such charges, in accordance with the 1967 Comay-Michelmores Agreement between Israel and UNRWA. The Commission moreover invites the General Assembly to examine this issue at its sixty-first session and to consider including a call for reimbursement of these charges by the Israeli authorities in its resolution dealing with UNRWA operations.

The Commission commends the Lebanese Government on their June 2005 announcement to ease restrictions on obtaining work permits for Palestine refugees in Lebanon and steps taken by the Government to improve the conditions of Palestine refugees living in camps. The Commission encourages the Government of Lebanon to support this announcement with further concrete measures.

The Commission commends the Palestinian Authority for its efforts in making payments on outstanding value-added tax (VAT) due to UNRWA and notes the Agency's efforts in following up on this matter. It urges the Agency to continue to pursue with the Palestinian Authority the objective of VAT exemption for UNRWA and the reimbursement of the remaining outstanding VAT.

The Commission commends the Agency's management and, in particular, its area staff for their resolute and effective response to the deteriorating emergency situation in the West Bank, the Gaza Strip and Lebanon. The dedication, commitment and unrelenting engagement of the Agency's staff members, often under life-threatening conditions, have contributed to the relief of grave humanitarian needs.

The Commission welcomes the organizational reform that is now being implemented in UNRWA. The reform is soundly based on the 2004 Geneva conference and builds upon the external review of UNRWA in 2005 and on intensive reflection and discussion on the question of how to improve on the Agency's effectiveness. The Commission commends the management and staff of UNRWA on this comprehensive and consultative process. The Commission, which discussed the

organizational development package during its regular session in June 2006, is confident that this endeavour will yield a comprehensive and strategic approach building on the revision of the medium-term plan to guide the development of the regular budget. Such an approach is indispensable if the Agency is to respond adequately to the evidenced and prioritized needs of refugees in the five fields of operations. Utilizing the data collected through the survey by the University of Geneva's Graduate Institute of Development Studies and other initiatives on the living and socio-economic status of the refugees in the strategic planning of programmes and budgets is essential for substantiating these needs and priorities. Moreover, the medium-term plan projects and priorities should be consolidated within the main programmes of UNRWA (health, education, relief and social services). In this connection, the Commission calls upon donors to contribute adequate resources in a timely manner.

The Commission welcomes the efforts made by UNRWA to improve the structure of its annual report and to base its reporting on programmes in the subprogramme overview (section II of the report) against performance indicators. The Commission believes this is a step in the right direction and encourages UNRWA to pursue its efforts in this regard. The Commission hopes that the establishment of a permanent monitoring and evaluation section, as described in the organizational development package, will contribute to transparent reporting based on these indicators and the development of other indicators. Data collected through the refugees' needs field survey of 2005 and the analytical reports from this survey to be completed by the end of 2006 should also help in better defining targets and indicators. The Commission recognizes progress made by UNRWA in achieving a substantial number of its objectives and encourages UNRWA to make additional efforts to address areas in which the actual performance is far below targets.

The Commission requests an update on the implementation of the Agency's strategy to mainstream gender in its operations that was presented at the hosts and donors meeting held in November 2005.

The Commission notes that the UNRWA regular budget for 2005 was set at \$396.4 million, against which the Agency received \$378.6 million. It also notes that the Agency launched an emergency appeal for the West Bank and the Gaza Strip for \$185.81 million for the year 2005. As at 31 December 2005, \$110.7 million had been pledged and \$70.15 million was received. The Commission notes that contributions to the Agency's emergency appeal in 2006 improved considerably. In light of the deteriorating humanitarian situation in the West Bank and the Gaza Strip, the Commission appeals to the donor community to fully support the Agency's emergency programmes, while UNRWA is urged to develop a comprehensive resource mobilization strategy for both its regular and emergency activities. In this regard, the Commission would like to stress the importance of initiatives for coordination between UNRWA, donors and host countries and of striving for a maximum degree of aid harmonization to increase aid effectiveness.

The Commission notes that, in 2005, UNRWA commissioned an external review of its emergency programme for the West Bank and the Gaza Strip. The Commission welcomes the intention of UNRWA to share this report before 1 December 2006 and looks forward to the opportunity to discuss it at one of its future sessions.

The Commission greatly appreciates the host Governments and donors for their continuing support and services provided to Palestine refugees. However, the Commission also urges the international community to maintain adequate levels of funding consistent with the needs of refugees and calls on UNRWA to continue its efforts to reach out to non-traditional donors.

The Commission recognizes the vital role of the Agency in providing refugees with essential services and in contributing to regional stability until a just settlement to the refugee issue is implemented in accordance with the relevant United Nations resolutions, especially General Assembly resolution 194 (III) of 11 December 1948.

The Commission expresses its warm appreciation for your personal commitment and activities in the service of the refugees and the effective leadership you are providing to the Agency.

Frans **Makken**  
Chairperson of the Advisory Commission  
of the United Nations Relief and Works Agency  
for Palestine Refugees in the Near East

## I. Overview

1. The United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) was established pursuant to General Assembly resolution 302 (IV) of 8 December 1949. The Agency became operational on 1 May 1950, responding to the humanitarian needs of about 880,000 Palestine refugees in the region. Over the past five decades, the Agency has grown into one of the largest United Nations programmes, employing over 26,000 staff members.
2. The purpose of UNRWA is to contribute to the human development of Palestine refugees in the Gaza Strip, the West Bank, Jordan, Lebanon and the Syrian Arab Republic until a just solution is found to the refugee issue. It does this by providing basic services and other support within the framework of international human rights law and other relevant standards. Among United Nations agencies, it is unique in delivering a variety of services directly to refugees.
3. UNRWA works in a particularly complex and fast-changing political environment and is able to react quickly and flexibly to changes that take place in the regional and operational environment. The Agency strives to be strategic, focused, innovative, dynamic and agile. It bases its work on refugee needs, assets and aspirations, works in partnership with other organizations and builds synergies among its programmes.
4. UNRWA is an advocate of — and seeks to safeguard — the rights of Palestine refugees and acts as a witness and a protecting presence in areas of humanitarian crisis and conflict.
5. Through its education programme, UNRWA provides Palestine refugees with opportunities to acquire knowledge, life skills, experiences and values in an environment that is conducive to learning. Its educational services include education at the elementary, preparatory and (in Lebanon only) secondary level, technical and vocational education and training, teacher training and placement and career guidance.
6. Through the health programme, UNRWA protects and promotes the health status of Palestine refugees by providing access to comprehensive, quality basic health care, consistent with the policies and strategies of the World Health Organization (WHO). Its health services include medical care (laboratory services, outpatient services, maternal and child health, disease prevention and control, physical rehabilitation, oral health, school health and hospital services), environmental health (sewage and drainage, solid waste management and water supply) and supplementary feeding.
7. Through the relief and social services programme, UNRWA provides a social safety net for — and promotes the self-reliance of — the most disadvantaged Palestine refugees, especially women, the aged, youth and persons with disabilities. Its relief and social services include food support; shelter rehabilitation and cash assistance to families living in conditions of special hardship; the development of community-based social services for women, the disabled, children and youth; and community support through access to subsidized credit.
8. Through the microfinance and microenterprise programme, UNRWA promotes economic development and poverty alleviation by providing credit for microenterprise, household consumption and housing needs. This credit improves

the quality of life of householders, small business owners and microentrepreneurs; sustains jobs; decreases unemployment; reduces poverty; empowers women; and provides income-generating opportunities for Palestine refugees and other poor and marginal groups. Specific services include microenterprise credit, solidarity-group lending, small-scale enterprise, consumer lending, housing loans and small and microenterprise training.

#### **A. Political, economic and security developments**

9. The environment in which UNRWA carried out its operations in 2005 was again dominated by events in the occupied Palestinian territory and Israel. The year began with a period of relative calm following the election of President Mahmoud Abbas and the declaration of a ceasefire by the main Palestinian groups in January. In February, at a meeting in Sharm El-Sheikh between President Abbas and Israeli Prime Minister Ariel Sharon, both sides declared a ceasefire.

10. The most significant political development in the occupied Palestinian territory was the build-up to, and implementation of, Israel's evacuation of its settlements in the Gaza Strip and parts of the northern West Bank. The Quartet responded by establishing the Office of the Special Envoy of the Quartet for Gaza Disengagement. UNRWA worked closely with the envoy, James Wolfensohn, and his team in areas where the Agency could bring concrete benefits that could be implemented in the short term. These included the expansion of the Agency's emergency job creation scheme, a capital injection into the Agency's microfinance and microenterprise programme to facilitate increased lending and an acceleration of the programme to reconstruct Palestinian homes demolished during the intifada.

11. UNRWA hoped that the disengagement from the Gaza Strip would bring a relaxation of the closure regime and unfettered access for Palestinian goods to the outside world and so lead to an economic recovery, thereby enabling the Agency to wind down its emergency operations. However, the only sign of such a relaxation has been the agreement in November to open the Rafah terminal to allow people, but not goods, to travel between the Gaza Strip and Egypt. Following the Gaza disengagement, Palestinian labourers wanting to work in Israel and Palestinian exporters using the commercial crossings out of the Gaza Strip into Israel faced increasing difficulties, further exacerbating the dire economic situation. In early 2006, the situation in the occupied Palestinian territory has compelled the Agency to expand its emergency operations. This followed the Palestinian elections of January 2006, the consequent suspension of international aid and tax revenues to the Palestinian Authority and the non-payment of salaries to Palestinian Authority employees.

12. Despite the improvement in the political situation in the first half of 2005, low levels of violence continued, with regular Palestinian deaths and injuries caused by shooting from Israeli settlements and border posts in the Gaza Strip and during IDF arrest and demolition operations in the West Bank. There were also suicide bomb attacks on civilian targets inside Israel in February, July, August, October and December of 2005, responsibility for which was claimed by Palestinian factions not committed to the ceasefire. In the months following the Gaza disengagement, the firing of rockets from the north of the Gaza Strip and the extensive use of artillery in

the area by IDF increased the numbers of deaths and injuries and the level of destruction.

13. The modest easing in the political situation was reflected in a slight improvement in Palestinian economic indicators. The World Bank estimates that real gross domestic product growth in the West Bank and the Gaza Strip reached 8 to 9 per cent in 2005, continuing the weak recovery that began in 2003. However, the Palestinian economy still operated at well below its potential, with real gross domestic product per capita almost 30 per cent lower than in 1999. According to the World Bank, the inability of the Palestinian economy to fully realize its productive potential was chiefly the result of restrictions on the movement of people and goods.

14. The socio-economic situation remained precarious. Unemployment during the third quarter of 2005 was at 23 per cent (20 per cent in the West Bank and 29 per cent in the Gaza Strip), more than double pre-intifada levels. Youth unemployment was even more acute, with a 35 per cent rate among 20 to 24 year-olds. Furthermore, the official unemployment figures did not include the large numbers of Palestinians forced into subsistence-level self-employment in the informal sector. The World Bank reported that about 43 per cent of the Palestinian population still fall below the poverty line, with perhaps 15 per cent living in deep poverty, i.e., not able to meet subsistence needs.

15. Significant political and security developments also took place in the Lebanon field of operations. On 14 February 2005, a bomb killed former Prime Minister Rafik Hariri, who had resigned in September 2004. The assassination triggered widespread, and sometimes opposing, popular and political protests. A United Nations team was assigned to investigate the assassination.

16. Syrian troops had withdrawn from Lebanon by 26 April. In the period between the assassination and the withdrawal, thousands of Syrian workers left Lebanon. In July 2005, elections brought to power a new Government headed by Prime Minister Fouad Siniora.

17. In June 2005, the Minister of Labour, Trad Hamadeh, announced the easing of work permit restrictions on Palestinians in Lebanon, and visits by a Minister of the Palestinian Authority led to a new Lebanese/Palestinian dialogue. This revolved around four issues: improvement in humanitarian conditions for refugees; disarmament of Palestinian militias outside the refugee camps; control of arms within the camps; and diplomatic relations between Lebanon and the Palestine Liberation Organization (PLO).

18. In Jordan, in November 2005, three hotels in Amman were targeted by suicide bombers, resulting in the deaths of 59 people and injuries to 100.

## **B. Internal developments**

19. Peter Hansen, Commissioner-General of UNRWA, retired in March 2005, after nine years in office. The Secretary-General appointed Karen Koning AbuZayd as the new Commissioner-General for a three-year term beginning on 28 June 2005. Ms. AbuZayd came to the post with the benefit of five years' experience as Deputy Commissioner-General. In October, the Secretary-General appointed Filippo Grandi as Deputy Commissioner-General. Mr. Grandi previously served as Deputy Special

Representative of the Secretary-General responsible for political affairs at the United Nations Assistance Mission in Afghanistan

20. In February 2005, in a major statement on the Agency's future direction, UNRWA launched its medium-term plan for 2005-2009. The plan is aimed at restoring the quality of the Agency's operations to levels attained before being undermined by many years of underfunding. The plan, which is under constant review and will be revised as developments affecting refugees evolve, has four main objectives: to achieve parity of UNRWA services with host authority and international standards; to address the needs of the most vulnerable refugees; to maximize the economic potential of refugees; and to build capacity within UNRWA.

21. In keeping with the medium-term plan's fourth objective, in 2005 UNRWA took a number of steps to streamline the operations management function, including separating the previously combined post of Director of UNRWA Operations in Gaza and Director of Operations; placing a Department of Operational Support at headquarters in Amman; strengthening the Management Committee and the Programme and Budget Committee; and establishing a Human Resources Task Force.

22. In late 2005, the Agency vigorously continued a process of management reform that had been in process for several years. UNRWA benefited from two external reviews. One, carried out by the Overseas Development Institute's Humanitarian Policy Group, focused on the Agency's emergency programmes, while the other, led by consultants engaged by the United Kingdom's Department for International Development on behalf of a group of donor Governments, examined management issues more broadly. The Department for International Development reviews comprehensively identified the Agency's strengths and weaknesses and presented recommendations on how the management function could be enhanced. UNRWA took these recommendations one step further and embarked on a process of organizational development with the assistance of Swiss-based consultants and with support from the Governments of Switzerland and Canada.

23. The organizational development process was announced at the meeting of UNRWA host authorities and donors in November 2005 in Jordan. The process began with a rapid organizational assessment at the beginning of 2006, and led to the production in May 2006 of an organizational development package, entitled "Serving Palestine refugees more effectively – strengthening the management capacity of UNRWA". That document constitutes the blueprint for comprehensive management reform over the next three years.

24. As part of its capacity-building process, the Agency, in partnership with the University of Geneva's Institut Universitaire d'Etudes du Développement has also been pursuing a project of data collection and analysis that will enable it to better understand the profile and needs of refugees. In 2005, UNRWA completed survey fieldwork involving interviews of over 10,000 registered refugees in all five fields. The analytical reports from the survey are due to be completed at the end of 2006 and will be utilized to enhance the Agency's transition towards needs-based planning and outcome-based monitoring of programmes.

25. In keeping with its goal of more accurately targeting its services, UNRWA embarked on a study which should lead to a new approach to poverty analysis in its relief and social services programme. This is in line with the Agency's move from a

status-based to a needs-based approach in all of its budgeting and programming activities.

26. A new approach to public information and non-traditional fund-raising was begun in 2005 when UNRWA established two Friends of UNRWA associations in Spain and the United States of America. Both associations will work to raise awareness of the Agency's activities in their local media and endeavour to raise funds from private donors and other untapped sources. Each association's incorporation as a non-profit organization will allow donors to make tax-deductible contributions to the Agency's work.

27. In 2005, UNRWA formalized the provision of services to needy family members of refugee women married to non-refugees, a category previously ineligible for services. This was the result of the Commissioner-General's decision to introduce gender-neutral registration guidelines (determining eligibility for services), in line with United Nations norms.

28. The groundwork has been laid for advancing the Agency's strategy of mainstreaming gender in the Agency's operation. In November 2005 the Agency presented the initial findings of the consultancy report entitled "UNRWA gender study — a review of programme experience" to its host countries and donors meeting. This review of the experience of UNRWA with gender issues in its major programmes is intended to feed into the formulation of a gender mainstreaming strategy for the Agency's internal employment policies and practices.

29. Likewise, the Agency has committed to developing an operationally oriented policy framework for addressing the protection needs of Palestine refugees and other UNRWA beneficiaries. In November 2005, a senior protection policy adviser was appointed.

## **C. Operational context**

### **1. Emergency operations**

30. Since 2000, UNRWA has implemented an extensive emergency assistance programme for refugees affected by the conflict in the occupied Palestinian territory. Its largest-scale emergency activities during 2005 were the provision of food aid to over 1.3 million refugees and the creation of 2.3 million workdays for 33,000 unemployed breadwinners. Emergency operations also include the provision of mobile medical clinics in the West Bank and cash assistance and replacement accommodation for those whose shelters have been demolished during Israeli military operations. By the end of 2005, UNRWA had completed 925 new shelters for homeless refugees in the Gaza Strip and had over 1,000 under construction.

### **2. Refugee access**

31. Israel's disengagement from the Gaza Strip in August 2005 had the immediate effect of allowing freedom of movement for Palestinians within the Strip. The signing, on 15 November 2005, of the Agreement on Movement and Access and the Agreed Principles for the Rafah Crossing led to hopes of a major improvement in the ability of Palestinians to leave and re-enter the Gaza Strip through Rafah.

32. However, with the exception of the opening of the Rafah terminal, which during the last months of the year saw between 500 and 800 travellers per day, few of the undertakings made in the agreement have been implemented, reportedly for security reasons. The Karni commercial crossing out of the Gaza Strip was closed for long periods of time and has not seen the capacity improvements included in the agreement; the Erez crossing for workers and businesspeople allowed only an average of between 1,500 and 3,000 people to cross for a period of a few months and then closed completely to Palestinians in March 2006; no bus or truck convoys between the Gaza Strip and the West Bank were established, and there has been no progress towards reducing obstacles to movement inside the West Bank. Indeed, according to the United Nations Office for the Coordination of Humanitarian Affairs, the 376 barriers in the West Bank in August 2005 had increased to 519 by May 2006.

33. Curfews in the West Bank, combined with checkpoints, the barrier and its associated regime, have had the effect of cutting the territory into three distinct areas — northern, central and southern — and have impeded refugees from accessing their families, places of work, schools, medical services and farmland. Furthermore, access to the Jordan Valley in the east of the West Bank, has been completely cut and permits are required to enter the 10 per cent of the land that sits between the barrier and the 1949 armistice line. UNRWA and the Office for the Coordination of Humanitarian Affairs have documented the tightening of the permit regime, which has had severely detrimental effects on the economic productivity of farmers in the "seam zone".<sup>1</sup>

34. In the Gaza Strip, the firing of rockets by Palestinians from the northern end of the Strip during October 2005 led to Israel declaring a "no-go zone" north of the towns of Beit Lahia and Beit Hanoun. This zone affects several thousand inhabitants of nearby villages. Israeli shelling in this area makes it dangerous to travel and interferes with access to schools, clinics and other services.

### 3. Staff security

35. The Gaza Strip returned to United Nations security phase III on 21 December 2004, and the international employees of UNRWA headquarters in Gaza, who had been relocated to Amman and Jerusalem since July 2004, returned to their duty stations.

36. However, a deterioration in the internal Palestinian security situation in August 2005 and the brief kidnapping of two United Nations Development Programme and then three UNRWA staff members led to an extended relocation of Gaza-based international staff, with the exception of those directly concerned with emergency or humanitarian relief operations or security matters, out of Gaza headquarters. At the end of the reporting period, the staff remained relocated in Amman and Jerusalem.

37. Another occurrence of internal violence, the bombing of the United Nations Reporting and Evacuation Centre in Gaza City on 1 January 2006, led to a brief relocation, also of international staff, from the UNRWA Gaza field office. In spite of these extensive relocations, all programme and emergency operations continued.

<sup>1</sup> The Office for the Coordination of Humanitarian Affairs and UNRWA, "Humanitarian impact of the West Bank barrier, Special focus, Crossing the barrier: Palestinian access to agricultural land", January 2006.

The Agency is indebted to its staff and acknowledges their dedication and loyalty in such difficult and often dangerous circumstances. It notes with regret that the 12,000 local staff of UNRWA in the occupied Palestinian territory are the only United Nations staff members working in the area who do not receive hazard pay. The Agency continues to discuss this anomaly with United Nations Headquarters, but had not resolved the matter by the end of the reporting period.

#### **4. Palestine refugees in Lebanon**

38. On 15 October 2005, Prime Minister Siniora announced his Government's intention to improve humanitarian conditions for Palestinian refugees in Lebanon. The Prime Minister requested UNRWA to submit a report to him on the conditions of Palestinian refugees in Lebanon, on what UNRWA could do to alleviate conditions and on what the Government could do to facilitate this work. This approach marks a major change in Lebanese official policy towards the Palestinian refugees and their humanitarian conditions.

39. UNRWA submitted a report to the Government of Lebanon on 19 October 2005, outlining the camp improvement needs of refugees in Lebanon. The report listed \$50 million worth of projects critical to improving refugee living conditions. The Prime Minister's office and UNRWA have met with donors to promote this plan.

### **D. Legal matters**

40. During the reporting period, restrictions on the freedom of movement of Agency staff, vehicles and goods continued to be imposed, particularly in the occupied Palestinian territory and by the Israeli authorities. These restrictions undermined the ability of UNRWA to provide its essential and emergency services. Although security concerns are cited as the reason for imposing the restrictions, in the Agency's view, many are in violation of applicable international law and have caused serious financial loss to the Agency in addition to their human impact on refugees.

41. The Agency has also suffered financial loss owing to the levying of extra charges in respect of its supplies, physical damage to its installations from IDF military operations, and the continuing non-remittance to the Agency by the Palestinian Authority of all value-added tax sums owed.

#### **1. Agency staff**

42. The Israeli authorities, citing security concerns, have continued to impose restrictions on the freedom of movement of UNRWA personnel in the occupied Palestinian territory. The restrictions have included: the external closure of the West Bank and the Gaza Strip; the imposition of curfews and internal closures; the prohibition of local staff travelling in United Nations vehicles across the Erez crossing, across the Allenby Bridge, in Israel and in portions of the occupied Palestinian territory annexed by Israel; and the maintenance of excessively cumbersome procedures for obtaining often-denied permits for local staff who live in the West Bank and the Gaza Strip to enter Israel and East Jerusalem.

43. The Israeli authorities have also continued to impose other restrictions on the travel of UNRWA personnel and vehicles across borders and crossing points. Restrictive procedures at Erez crossing often resulted in lengthy delays on the Gaza side of the crossing, in the unprotected area of the Palestinian checkpoint, which endangered staff members' safety. National staff were often barred from using Erez or Rafah crossings. The restrictions are inconsistent with established principles of international law, the Charter of the United Nations, the 1946 Convention on the Privileges and Immunities of the United Nations and the 1967 exchange of letters between the Agency and the Government of Israel (the Comay-Michelmores Agreement). The Comay-Michelmores Agreement, *inter alia*, requires the Government of Israel to "facilitate the task of UNRWA to the best of its ability, subject only to regulations or arrangements which may be necessitated by considerations of military security".

44. In the Agency's view, many measures did not relate to military security but were rather matters of police or administrative convenience. The Israeli authorities however, maintained that the restrictions were necessary for military security or self-defence, including against terrorist attacks. The Agency continued to make representations to the Israeli authorities at all levels to have the constraints affecting its operations removed.

45. Both in the West Bank and the Gaza Strip, enhanced coordination through IDF liaison officers led to some improvement in staff movement in the last six months of the reporting period, particularly in the light of the disengagement from the Gaza Strip. However, there was no substantial overall improvement, and the freedom of movement of UNRWA staff members remained unpredictable. Following the Israeli disengagement from the Gaza Strip in mid-September 2005, internal movement restrictions were lifted in the Gaza Strip. Movement of staff members through Rafah became easier following the partial implementation of the 15 November 2005 Agreement on Movement and Access but became even more restricted after the attack by Palestinian militants on IDF at Kerem Shalom crossing in June 2006.

46. Movement restrictions in the West Bank and the Gaza Strip have resulted in lost staff days, labour replacement costs and associated administrative costs totalling \$492,934 for the period.

47. During the reporting period, no significant movement restrictions were imposed on UNRWA staff by the Governments of Jordan, Lebanon and the Syrian Arab Republic or by the Palestinian Authority.

48. At the end of the reporting period, 47 staff members were being detained, of whom 34 were held by the Israeli authorities, 10 by the Palestinian authorities, and one each by the authorities of Jordan, Lebanon and the Syrian Arab Republic. Despite requests in accordance with General Assembly resolution 36/232 of 18 December 1981, the Israeli authorities did not permit access to, or provide in many cases all relevant information and documents concerning, detained UNRWA staff. The Agency was therefore unable to ensure that rights and obligations flowing from the Charter of the United Nations, the 1946 Convention and the relevant Agency Staff Rules and Regulations were respected. Further, the lack of access and documentary information materially hampered the Agency's ability to consider disciplinary measures in accordance with established United Nations standards.

## 2. Agency services and premises

49. UNRWA is required to route its shipments of humanitarian goods and supplies into the Gaza Strip through the Karni crossing, except for construction materials which enter the Gaza Strip through the Sofa crossing. The Israeli authorities continued to impose transit charges on containers moving through Karni, forcing UNRWA to pay \$98,396 in 2005. In the Agency's view, the charge is a direct tax, from which it ought to be exempted under the 1946 Convention.

50. Owing for the most part to closures of Karni crossing by the Israeli authorities, UNRWA incurred excess storage and demurrage charges of \$1,355,149, including demurrage charges of \$788,115 for empty containers that were stranded in the Gaza Strip. Although restrictions on movement of goods through Karni crossing remained closely linked by the Israeli authorities to security incidents and alerts, and the movement of goods through Karni was adequate in the months immediately prior to Israel's disengagement from the Gaza Strip, the Agency considers that for substantial periods the throughput was not consistent with Israel's obligations under the Comay-Michelmores Agreement and under article 59 of the 1949 Geneva Convention relative to the Protection of Civilian Persons in Time of War.

51. With respect to the importation of vehicles, the Government of the Syrian Arab Republic has reaffirmed that there is no limitation on the number of vehicles that UNRWA may import. In practice, however, the Syrian authorities continue to make the importation of new vehicles contingent on the deletion of the records of existing vehicles on a one-for-one basis. This represents a de facto limitation and resulted in a two-week delay in the importation of 19 vehicles.

52. During the reporting period, 24 Agency construction projects in the West Bank and Gaza Strip with an overall budget of \$3,575,267 were delayed or stopped altogether due to the restrictions on the movement of personnel, vehicles and construction materials. In Lebanon, the entry of construction materials to camps is subject to approval from the Lebanese army, but this has not caused delays during the reporting period.

53. The Operations Support Officer programme continued in both the West Bank and the Gaza Strip. The programme played an invaluable role in facilitating access of staff members and UNRWA vehicles, including ambulances and humanitarian convoys, through checkpoints in the West Bank and into areas affected by ongoing IDF military operations in the Gaza Strip; in monitoring and reporting on the developing humanitarian crisis among the Palestinian population; in the regular monitoring and inspection of UNRWA installations; and in providing a measure of protection to Palestine refugees.

54. The 1946 Convention guarantees that "the premises of the United Nations shall be inviolable" and the Comay-Michelmores Agreement obliges the Government of Israel to "ensure the protection and security of the personnel, installations and property of UNRWA". Contrary to these provisions, IDF entered and/or threw tear gas into UNRWA premises on seven reported occasions. Seven UNRWA schools were hit by shelling or gunfire from the direction of Israeli positions on 10 occasions, which is additionally in violation of the 1989 Convention on the Rights of the Child and international humanitarian law. The Agency has submitted to Israel claims for damage to its installations totalling \$5,970 for the reporting period, bringing the total amount of claims submitted to Israel since the beginning

of the current intifada to \$951,646. Israel has not responded to these claims for damages, although in response to some protests, Israel has denied or disputed responsibility for causing damage.

55. UNRWA installations in the West Bank and the Gaza Strip, including schools, were subjected to 11 incursions by Palestinian militants on eight occasions, and by Palestinian Authority security forces on three occasions. In each instance the Agency protested to the Palestinian Authority.

56. There were no incursions into UNRWA premises in Jordan, Lebanon or the Syrian Arab Republic.

### **3. Other legal matters**

57. During the reporting period, the Agency was reimbursed by the Palestinian Authority some \$8.9 million for value-added tax paid by the Agency in prior years. As at 31 December 2005, the total amount of value-added tax still due to the Agency from the Palestinian Authority was approximately \$8.2 million. The Palestinian Authority has acknowledged that it should reimburse the Agency, but has not yet done so.

58. The issue of reimbursement by the Government of Israel of port and related charges incurred by the Agency in connection with goods imported to the Gaza Strip and the West Bank through Israel is unresolved. The Agency's position is that the obligation to pay port and related charges remains with the Government of Israel pursuant to the terms of the Comay-Michelmores Agreement. The total amount of port charges due to the Agency as at 31 December 2005 was \$25,764,820, for which the Agency has filed a claim with the Government of Israel. This claimed amount includes the cost of container transit charges and excessive storage and demurrage charges referred to in paragraphs 49 and 50 above.

59. The Agency continued to be required to pay to the Syrian authorities port fees and charges totalling \$22,781 for the reporting period, which the Agency maintains is contrary to the 1948 Agreement between the United Nations and the Government of the Syrian Arab Republic. While the Ministry of Foreign Affairs has indicated it would consider the matter, it remained unresolved at the end of the reporting period.

60. In the Syrian Arab Republic, the Agency continued to be required to submit its customs declaration forms with commercial invoices for endorsement by the Boycott Office. While no imports have been refused as a result of this requirement, the Agency has protested the requirement to the Syrian authorities on the grounds that imports by UNRWA should not require such endorsement under the 1946 Convention.

### **4. Legal status of Palestine refugees in the Agency's fields of operation**

61. The movement of Palestinians, including Palestine refugees, within, to and from the occupied Palestinian territory was tightly controlled and subject to a complex permit regime implemented by the Israeli authorities as well as various agreements, including the 15 November 2005 Access and Movement Agreement. Palestine refugees may obtain identification documents, but the Israeli authorities administer the population and register and control the issue of identity documents for the West Bank, Jerusalem and the Gaza Strip. Palestine refugees have access to Palestinian Authority services equal to that of other Palestinians in the occupied

Palestinian territory. Palestine refugees also had the same rights as other Palestinian residents to vote in elections.

62. The largest number of Palestine refugees resides in Jordan. Most enjoy Jordanian citizenship, are able to work in government offices and throughout the local economy and have access to governmental institutions and other assistance. Palestinians who left the Gaza Strip in 1967 and their descendants, on the other hand, have only temporary Jordanian passports valid for two years and without national identity numbers. The 1996 Labour Law requires non-Jordanians to have legal residency and valid passports and permits in order to work. Access to social security benefits depended on reciprocal privileges in the worker's country of origin, rendering stateless Palestine refugees ineligible. The Government of Jordan provided to Palestine refugees and displaced persons services and benefits such as education, rent and utilities, subsidies and rations, camp services, health care, public security and social services.

63. In June 2005, the Lebanese Labour Ministry allowed Palestinian registered refugees born in Lebanon to work at manual and clerical jobs and to obtain work permits, both of which were previously denied. Palestinians were still effectively prohibited from practising several professions, including medicine, law, journalism and engineering. Unemployment among refugees was high and living conditions poor. All Palestine refugees registered with UNRWA and their descendants received identity documents attesting to their right to be in Lebanon and could acquire renewable travel documents valid from three to five years. According to a 1957 decree still in force, Palestine refugees who are registered with the Directorate of Political and Refugee Affairs of the Ministry of the Interior but who do not reside in refugee camps can freely change their residence, but those who reside in camps have to apply for a permit before moving to other camps. Palestinian refugees have limited access to government services and have to depend almost entirely on the Agency for basic services. Legislation preventing Palestine refugees from buying immovable property remained in force.

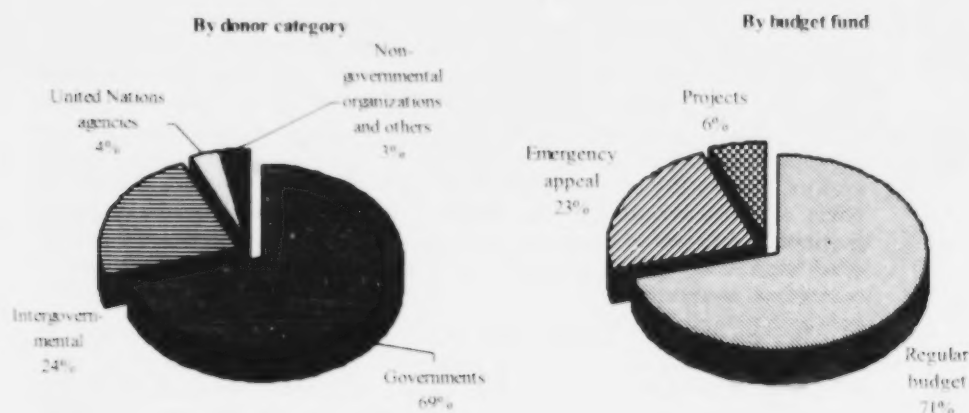
64. Palestinian refugees in the Syrian Arab Republic continued to have full access to government services and to the labour market, with the exception that, under Law No. 260 of 1956, Palestinian refugees who took refuge in the Syrian Arab Republic on or after 10 July 1956, are not allowed to occupy civil posts in the Government. According to Syria's 1957 law on the legal status of Palestinians, Palestinian refugee residents have almost the same legal protection as Syrian citizens but have no right to be naturalized or to vote. The Government of the Syrian Arab Republic provided to Palestinian refugees services such as education, health, housing, utilities, security and social services.

## **E. Financial overview**

### **1. Sources of funding**

65. With the exception of the regular international staff posts funded by the General Assembly through assessed contributions, UNRWA operations, projects and emergency appeals are funded by donors' voluntary contributions. The Agency's project expenditure mainly consists of non-recurrent costs funded by earmarked contributions for specific activities. Project funding supports, complements and enhances the Agency's regular activities and programmes.

Figure 1  
Distribution of sources of funding by donor category and budget fund



## 2. Expenditure

66. The Agency expended \$484.2 million during 2005 against a budget of \$537.7 million on its regular, project and emergency appeal activities. The largest component was an expenditure of \$377.2 million under the regular budget, accounting for nearly 78 per cent of total expenditures. Emergency appeal activities and projects accounted for 18 per cent and 4 per cent, respectively. The microfinance and microenterprise programme made up less than 1 per cent of total expenditures.

67. As in the past, education remained the largest programme in 2005, with a budget accounting for almost 60 per cent of the annual total. Health, relief and social services, common services and operational and technical services followed, with 18 per cent, 10 per cent, 8 per cent and 5 per cent, respectively.

Table 1  
Regular budget 2005

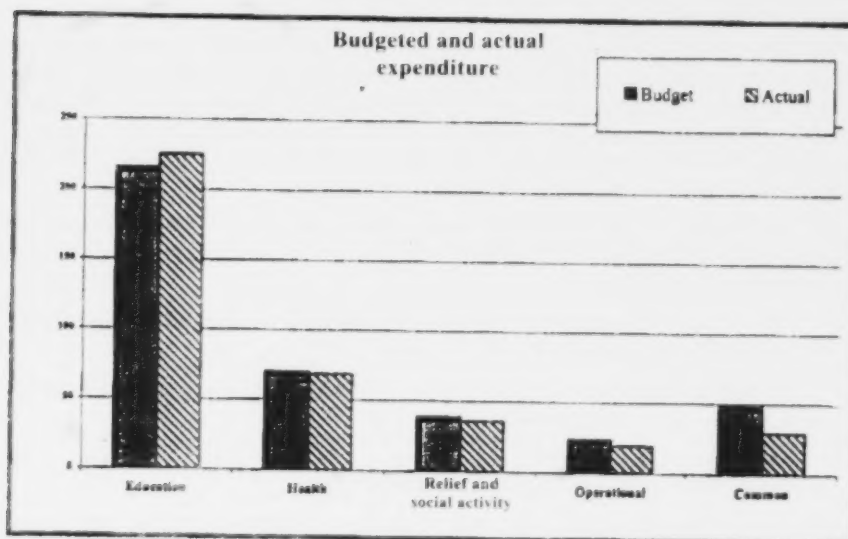
(In millions of United States dollars)

|                                   | Budget       | Expenditure                 | Variance    |
|-----------------------------------|--------------|-----------------------------|-------------|
| Education                         | 215.6        | 224.6 (60 per cent)         | 9           |
| Health                            | 70           | 68.3 (18 per cent)          | 1.7         |
| Relief and social services        | 38.9         | 35.9 (10 per cent)          | 3           |
| Operational and technical support | 23.6         | 19.3 (5 per cent)           | 4.3         |
| Common services                   | 35.3         | 29.1 (8 per cent)           | 6.2         |
| Other                             | 13           | —                           | 13          |
| <b>Total</b>                      | <b>396.4</b> | <b>377.2 (100 per cent)</b> | <b>19.2</b> |

68. The level of budget implementation was constrained by the fragile security situation, especially in the two largest areas of operation, the Gaza Strip and the West Bank. Some of the \$19.2 million positive variance is thus due to the fact that certain earmarked activities could not be implemented during the year.

Figure II  
Comparison of the budget and actual expenditure

(In thousands of United States dollars)



### 3. Audit activities

69. The Department of Inspection and Oversight Services conducted its activities under the terms of the Agency's Organization Directive No. 14, which is reviewed by the Audit and Inspection Committee. There were 42 assignments, of which 37 were concluded. Reports produced in 2005 related to audit, inspection, investigation, fraud prevention and fraud detection. They contained 259 recommendations/conclusions for management action.

70. UNRWA management responded by fully accepting 228 recommendations (88 per cent) and had implemented 81 of these (36 per cent) by the end of the reporting period.

71. Assignments were undertaken in all five field offices and headquarters to ensure adherence to internal controls and to establish an anti-fraud environment in the Agency. The activities audited were in domains such as health and education, registration of refugees, payroll systems, microfinance and microenterprise lending, financial statements, cash and food assistance to refugees, camp rehabilitation projects, emergency appeal implementation, poverty alleviation and procurement of sugar, flour and school supplies.

72. The Department of Inspection and Oversight Services also sought and obtained the support of United Nations Headquarters in New York to conduct a highly technical audit of the Agency's management of its information technology systems. In 2005, the audit committee recommended the appointment of three external members to provide a wider range of perspective and professional input.

## **II. Subprogramme overview**

### **A. Performance report for sub-goal 1: education**

73. The goal of the Agency's education programme is to provide Palestine refugees with opportunities to acquire knowledge, life skills, experiences and values in an environment that is conducive to learning. The programme includes education at the elementary, preparatory and (in Lebanon only) secondary level for almost 500,000 children, technical and vocational education and teacher training, placement and career guidance. Highlights include:

(a) The implementation and completion of the staff training, community involvement and strategic development plan known as the "School as a focus for development" project;

(b) The establishment of a new quality assurance framework as a planning, self-assessment and continuous improvement tool;

(c) The expansion and integration of the "Human rights, conflict resolution and tolerance" teaching programme;

(d) The implementation in the Gaza Strip of the "Information and communications technology as tool for learning" project;

(e) Close cooperation with the education authorities in Jordan, the Syrian Arab Republic and the occupied Palestinian territory on curriculum and other educational development issues;

(f) The proportion of UNRWA school buildings operating on a double shift (two schools in one building) at 77 per cent. Additionally, 17 per cent of schools inadequately housed in rented buildings;

(g) A total of 1,091 teacher workdays lost in the occupied Palestinian territory because of closures, curfews and armed conflict;

(h) The launching of a psychosocial support programme (currently in the early stages of development), designed to reach some 90,000 pupils in the occupied Palestinian territory.

Table 2  
Performance by indicators

| <i>Expected accomplishments</i>                                                                                                                                                                                                                                                                                                                                                                | <i>Performance indicators</i>                                                                               | <i>Achievements</i>                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------|
| Maintenance and improvement of the quality of education provided to the Palestinian refugee population at all levels by maintaining an environment conducive to learning; meeting the needs arising from the natural growth in the refugee population through upgrading and construction of facilities; and enhancing the skills and competencies of the Agency's teaching and training staff. | (i) Maintenance of relatively high pupil pass rate in the elementary cycle                                  | Unit of measure: per cent<br>Target (2005): 96 per cent<br>Result (2005): 94.9 per cent  |
|                                                                                                                                                                                                                                                                                                                                                                                                | (ii) Maintenance of relatively high pupil pass rate in the preparatory cycle                                | Unit of measure: per cent<br>Target (2005): 98 per cent<br>Result (2005): 96.1 per cent  |
|                                                                                                                                                                                                                                                                                                                                                                                                | (iii) Maintenance of relatively low dropout rate in the elementary cycle                                    | Unit of measure: per cent<br>Target (2005): 0.5 per cent<br>Result (2005): 0.48 per cent |
|                                                                                                                                                                                                                                                                                                                                                                                                | (iv) Reduction in the dropout rate in the preparatory cycle                                                 | Unit of measure: per cent<br>Target (2005): 2.8 per cent<br>Result (2005): 2.69 per cent |
|                                                                                                                                                                                                                                                                                                                                                                                                | (v) Number of additional educational facilities or other infrastructure facilities constructed or renovated | Unit of measure: number of facilities<br>Target (2005): 384<br>Result (2005): 293        |
|                                                                                                                                                                                                                                                                                                                                                                                                | (vi) Number of education staff from various categories (teaching and non-teaching) trained                  | Unit of measure: number of staff<br>Target (2005): 1,800<br>Result (2005): 2,096         |
|                                                                                                                                                                                                                                                                                                                                                                                                | (vii) Improvement in the pupil/teacher ratio in the elementary cycle                                        | Unit of measure: ratio<br>Target (2005): 36:1<br>Result (2005): 33.1:1                   |
|                                                                                                                                                                                                                                                                                                                                                                                                | (viii) Improvement in the pupil/teacher ratio in the preparatory cycle                                      | Unit of measure: ratio<br>Target (2005): 27:1<br>Result (2005): 25.8:1                   |
|                                                                                                                                                                                                                                                                                                                                                                                                | (ix) Number of schools operating on a double-shift basis                                                    | Unit of measure: number of schools<br>Target (2005): 470<br>Result (2005): 514           |
| Adaptation and improvement of course content and curricula in the general and technical education programmes in order to match developments in host countries.                                                                                                                                                                                                                                 | Percentage of the curricula adapted/improved relative to the total number of modifications required         | Unit of measure: per cent<br>Target (2005): 100 per cent<br>Result (2005): 100 per cent  |
| Adaptation and improvement of course content and curricula in vocational training institutions to meet changing market conditions.                                                                                                                                                                                                                                                             | Percentage of the curricula adapted/improved relative to the total number of modifications required         | Unit of measure: per cent<br>Target (2005): 100 per cent<br>Result (2005): 100 per cent  |

### Significant activities

74. The "School as a focus for development" programme is a master plan to improve the strategic development of schools in five areas: school planning, staff development, teaching and learning, school and the community and quality assurance. Training in all five areas has been completed in all UNRWA schools, and each school has established a development team and formulated its own strategic development plan. Each school has also established school councils on which parents work together with teaching staff and has made major shifts in culture to promote autonomy and opportunities for creativity and innovation.

75. The quality assurance framework is a unique programme to monitor and improve standards in UNRWA schools. In the 2004-2005 academic year, training on the framework was completed in five fields, with special workshops being held to iron out problems. Documents and support materials are now available in Arabic and English, and eight standards, composed of 40 performance indicators, have been established.

76. In 2005, the "Human rights, conflict resolution and tolerance" programme reached all UNRWA schools, with 350,000 students in grades 4 to 10 and in all subject areas involved. The programme is aimed at introducing students to societal, democratic and global values and developing their skills for the peaceful resolution of conflicts. About 20,000 UNRWA teachers, head teachers and school supervisors have been trained and all schools now have their own student parliaments, storybooks in Arabic and workbooks for students, each with about 50 activities and teachers' training guides.

77. Violence in schools was identified as an area deserving study and urgent intervention. While acknowledging the complexity of this issue and its close relationship to economic hardship, the unrelenting armed conflict and related community-level violence in the occupied Palestinian territory, the Agency took some initial steps towards a comprehensive, interdepartmental response.

78. The "Information and communications technology as tool for learning" project has provided Internet access for all Agency schools in the Gaza Strip; installed 115 working computer laboratories; provided training for 1,000 teaching and administrative staff and seen the appointment of 180 additional information and communications technology teachers. The programme has also seen UNRWA forge partnerships with key information and communications technology companies such as Intel, Microsoft and the International Computer Driving Licence of the United Nations Educational, Scientific and Cultural Organization in Cairo.

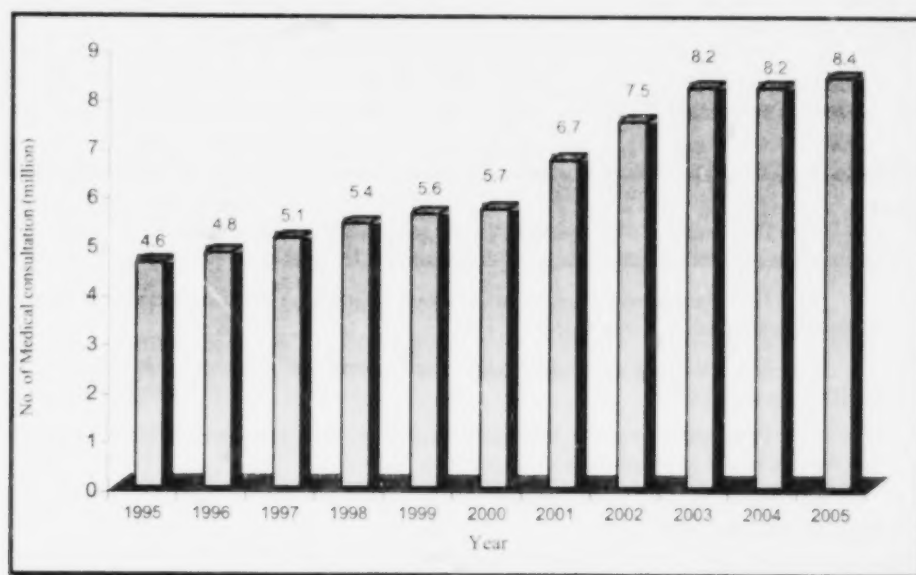
79. In 2005, 9 UNRWA students were killed and 20 were injured by Israeli military activity in the Gaza Strip. One of the children was killed by gunfire in the playground of an UNRWA school. The disruption and loss of teaching time caused by closures and clashes have fragmented the learning process for many children. Eighty per cent of children in the occupied Palestinian territory are believed to suffer from some level of post-traumatic stress disorder. In addition to psychosocial support, UNRWA provides after-school remedial learning, extra-curricular activities in partnership with non-governmental organizations and distance learning for children who face difficulties reaching schools.

## B. Performance report for sub-goal II: health

80. The goal of the health programme is to protect, preserve and promote the health status of the registered Palestine refugees within the Agency's five areas of operation. It pursues this goal within the available means and in a manner consistent with the principles of the United Nations, the basic concepts and strategic approaches of WHO, the health-related Millennium Development Goals and the standards set out in the Convention on the Rights of the Child. Highlights include the following:

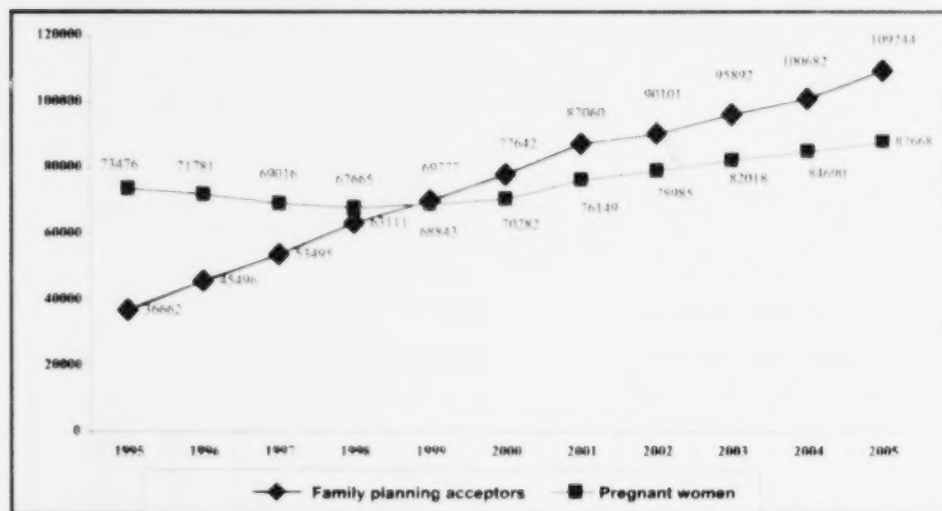
(a) Medical consultations provided to refugees rose by 2.4 per cent, to 8.4 million. The number provided with hospital treatment grew by 7.8 per cent, to 61,895, while dental consultations increased by 6.1 per cent, to 655,493;

Figure III  
Utilization of curative medical services 1995-2005



(b) The number of newly registered pregnant women increased by 3.5 per cent, to 87,668, those receiving post-natal care rose by 4.3 per cent, to 74,316 and the number of family planning acceptors grew by 8.5 per cent, to 109,244;

Figure IV  
Correlation between number of pregnant women and family planning acceptors  
1995-2005



(c) The number of patients with non-communicable diseases under supervision at UNRWA health facilities increased by 11.4 per cent, to 135,496;

(d) The management health information system on family planning and maternal health care was expanded;

(e) Five postgraduate fellowships were sponsored fully or partially by UNRWA during 2005;

(f) Three new technical medical instructions were introduced during 2005 and four technical instructions were revised;

(g) Three agency-wide research studies were conducted to assess the health status of Palestine refugees;

Table 3  
Performance by indicator

| <i>Performance indicator</i>                                                                                                              | <i>Actual</i> | <i>Target</i>     |
|-------------------------------------------------------------------------------------------------------------------------------------------|---------------|-------------------|
| Infant mortality rate per 1,000 live births                                                                                               | 22            | 22                |
| Child mortality rate per 1,000 live births                                                                                                | 24.4          | 25                |
| Pregnant women registered at UNRWA maternal and child health clinics during first trimester (out of all pregnant Palestine refugee women) | 57.5 per cent | 50 per cent       |
| Pregnant women who paid at least four visits to clinics during the antenatal period                                                       | 89.1 per cent | 90 per cent       |
| Babies delivered by trained personnel                                                                                                     | 99.5 per cent | 98 per cent       |
| Women receiving post-natal care                                                                                                           | 93.3 per cent | 96 per cent       |
| Prevalence of contraceptive methods among mothers of infants 0 to 3 years of age attending UNRWA maternal and child health clinics        | 55.4 per cent | 55 per cent       |
| Total fertility rate                                                                                                                      | 3.2           | 3.2               |
| Pregnant women protected against tetanus                                                                                                  | 99.5 per cent | Above 95 per cent |
| 12-month-old infants fully immunized                                                                                                      | 99.2 per cent | Above 95 per cent |
| 18-month-old infants receiving all booster doses                                                                                          | 98.4 per cent | Above 95 per cent |
| Incidence of neonatal tetanus and poliomyelitis                                                                                           | None          | None              |
| Cure rate of smear positive TB cases                                                                                                      | 100 per cent  | 100 per cent      |
| Average daily medical consultations per doctor                                                                                            | 110           | 70                |
| Camp shelters with access to safe water                                                                                                   | 99.7 per cent | 98 per cent       |
| Refugee shelters connected to underground sewerage system                                                                                 | 84 per cent   | 85 per cent       |
| Female medical personnel                                                                                                                  | 29.3 per cent | 50 per cent       |

#### Significant activities

81. During 2005, the management health information system on family planning and maternal health care was expanded into all 125 UNRWA health centres. The management health information system is an ongoing process to allow the entry of all related health data onto a new information and communication technologies system. It facilitates the interpretation of results, the analysis of performance indicators and the evaluation of medical outcomes.

82. A technical instruction was introduced during 2005 on screening for cervical and breast cancers. This was done to improve primary prevention activities that help avoid the development of cancer by reducing or eliminating exposure to cancer-causing factors. The instruction seeks to improve health education and counselling; management of sexually transmitted infections; effective treatment for precancerous

lesions, early detection of cancers through frequent medical check-ups of individuals at risk; and targeted screening activities.

83. A second set of technical instructions was issued on the prevention and control of thalassaemia and sickle-cell anaemia by following up on haemoglobinopathies found among registered refugees. The instruction also sought to update the established database on all known cases and carriers of hereditary anaemias, including Beta-thalassemia and sickle-cell anaemia.

84. A third set of technical instructions was issued to improve the procedures for estimating access and utilization rates of UNRWA health services by registered refugees. It will allow for better human resource allocation based on more reliable estimates of budget and expenditure per user.

85. Four technical instructions were revised, including those on school health, the issuing of rations to pregnant women and nursing mothers, hospital services and guidelines for handling formalities at health centre dispensaries. The Agency's technical instructions are revised on a regular basis to ensure their consistency with evolving WHO technical guidelines and procedures.

86. In 2005, UNRWA conducted three major pieces of health research to assess the health status of Palestine refugees. These comprised a study of the prevalence of anaemia among schoolchildren, which revealed an overall rate of anaemia of 15.8 per cent Agency-wide. An additional study on the current contraceptive practices among mothers of children 0 to 3 years attending UNRWA health clinics revealed contraceptive use at 55.4 per cent. The third study was conducted to assess oral health status among school children using the Decayed, Missing, Filled Teeth (DMFT) index and the prevalence rate of dental calculus.

### **C. Performance report for sub-goal III: relief and social services**

87. The goal of the Agency's relief and social services programme is to provide a social safety net for the most impoverished Palestine refugees and to promote the self-reliance of less advantaged members of the refugee community, especially women, the elderly, youth and those with disabilities. Services provided by the relief and social services programme include food support, shelter rehabilitation and cash assistance to families in special hardship; community-based social services; access to subsidized credit; and the maintenance, updating and preservation of records and documents of 4.3 million registered refugees. Highlights include the following:

(a) Eligibility for special hardship relief services was extended to the children of 674 refugee women married to non-refugee men. These family members constitute a new category of beneficiaries;

(b) The tendering process for software development for the new refugee registration information system of the Palestine Refugee Records Project was completed. Two and a half million of the over 13 million historical documents from the Agency's registration and family files were scanned and preserved;

(c) Major reform of the special hardship assistance programme commenced through an in-depth survey of the client population and revision of the eligibility criteria and poverty thresholds for Jordan;

(d) Funding shortfalls necessitated a reduction in refugee food packages. The value of food assistance in Jordan, Lebanon and the Syrian Arab Republic fell from \$110 to \$86.4 per refugee per annum;

(e) Some 374 special hardship case shelters were rehabilitated (including those rehabilitated in southern Lebanon after a six-year wait). This represented 3.4 per cent of the total 10,894 shelters identified as being in need of rehabilitation;

(f) Selective cash assistance was provided to 12,188 special hardship and non-special hardship families. This represented a 104 per cent increase over the figures for 2004;

(g) A microcredit community support programme manager was hired to guide and monitor credit operations;

(h) Reduction of social worker caseload norms (from 250 to 200 families per social worker) was approved, a prerequisite for introducing best practices in social work and improving quality of services;

(i) Three hundred relief and social services programme staff and refugee volunteers in UNRWA community-based organizations benefited from gender training courses.

Table 4  
Performance by indicator

| Expected accomplishment                                                                                                                                  | Performance indicator                                                                                                                                                   | Achievements                                                                                   |                                                                                                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                                          |                                                                                                                                                                         | 2005 target                                                                                    | 2005 result                                                                                                                                                                                                                                                                                                                                                                                             |
| Improved quarterly delivery of food rations and cash subsidy "safety net" support to special hardship case families                                      | Percentage of food rations and cash subsidies distributed in relation to the projected ceiling                                                                          | 100 per cent                                                                                   | A quarterly average of 228,971 beneficiaries (5.7 per cent of the registered refugee population) received their rations and cash subsidies, representing 99.8 per cent of the yearly projected ration/cash subsidy ceiling (917,272)                                                                                                                                                                    |
| Increased provision of selective cash to refugee families facing emergency financial crisis or lacking basic economic necessities within a timely manner | Percentage of increase in number of special hardship case and non-special hardship case families receiving cash assistance in relation to the previous reporting period | Special hardship case families: 3.5 per cent<br>Non-special hardship case families: 1 per cent | 12,030 special hardship case families (19.4 per cent) of the total special hardship case families benefited; 158 non-special hardship case families were assisted, representing 1.3 per cent of the special hardship case families; achievement above target was due to the additional funds received under the medium-term plan (2005-2009); 205 per cent increase in available funds over 2004 levels |

| Expected accomplishment                                                                                                                | Performance indicator                                                                                                                                                                     | Achievements |                                                                                                                                                                                                                                                    |
|----------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                                                                                                        |                                                                                                                                                                                           | 2005 target  | 2005 result                                                                                                                                                                                                                                        |
| Ability to keep up-to-date computerized registry of all registered refugees through timely verifications and modification transactions | Percentage of modification transactions and verification requests processed in relation to those requested by refugees and Governments, United Nations agencies or the relevant officials | 100 per cent | 100 per cent.<br>513,917 modification transactions completed and 182,886 verification requests processed                                                                                                                                           |
|                                                                                                                                        | Percentage of new registrations (new inscription cases) in relation to total received applications                                                                                        | 11 per cent  | 248 new inscription cases were approved by the relief and social services programme, representing 39 per cent of total pending applications; achievement above target due to clearing the backlog of pending cases in the Jordan field during 2005 |
| Increased development opportunities for women                                                                                          | Number of women benefiting from skills training activities                                                                                                                                | 11,400       | 12,100 (6 per cent increase)                                                                                                                                                                                                                       |
| Increased access to services and opportunities for persons with disabilities                                                           | Number of persons with disabilities receiving direct rehabilitation services                                                                                                              | 12,700       | 18,300 (44 per cent increase)                                                                                                                                                                                                                      |
| Improved access of children and youth to educational, cultural, social, recreational and sports activities                             | Number of children and youth participating in cultural, social, recreational and sport activities                                                                                         | 9,000        | 20,000 (122 per cent increase)                                                                                                                                                                                                                     |
| Increased provision of credit and skills training opportunities to Palestine refugees                                                  | Number of clients benefiting from loan products                                                                                                                                           | 2,300        | 3,600 (56.5 per cent increase)                                                                                                                                                                                                                     |

#### Significant activities

88. UNRWA field offices began to provide services to family members of refugee women married to non-refugees. Revised consolidated eligibility and registration instructions will ensure that assistance is gender-neutral and that it reaches those most in need, and registration software is being adapted to guide staff in the application of this policy.

89. In an effort to address the weaknesses of the current registration system and introduce the benefits of new technologies, the system is being redesigned through the Palestine Refugee Records Project to create an Intranet registration system that will allow centralized updating of refugee information from 39 registration offices

Agency-wide. The tendering process for the outsourcing and development of the software for the new system was completed and a vendor identified.

90. UNRWA laid the foundations for major reform of the special hardship assistance programme, which provides a social safety net for the most impoverished families, by conducting a socio-economic survey of 3,603 special hardship case families. Analysis of the results led to the establishment of abject and absolute poverty lines for Jordan and the development of a proxy means testing formula (to revise eligibility criteria), as a first step to moving the Special Hardship Assistance Programme from a status-based to a needs-based approach.

Table 5  
Basic social and economic indicators for special hardship families

| <i>Indicator</i>                                       | <i>Total</i>   |
|--------------------------------------------------------|----------------|
| <b>Education</b>                                       |                |
| Drop-out rates (children ages 6-15 years of age)       | 14.3 per cent  |
| Illiteracy rates                                       | 16.6 per cent  |
| <b>Health</b>                                          |                |
| Families supporting a person with a disability         | 11.5 per cent  |
| Families supporting a person with a chronic illness    | 21.8 per cent  |
| Individuals with health insurance                      | 41.7 per cent  |
| <b>Expenditures and income</b>                         |                |
| Individuals with expenditures of less than \$1 per day | 46.7 per cent  |
| Individuals with expenditures of less than \$2 per day | 85.8 per cent  |
| Average annual per capita income                       | \$449          |
| Average annual family income                           | \$1,800        |
| <b>Housing</b>                                         |                |
| Dwellings with asbestos roofs                          | 12.63 per cent |
| Dwellings that are cold and difficult to heat          | 64.1 per cent  |
| Dwellings that are poorly ventilated                   | 42.6 per cent  |
| Dwellings without heat                                 | 24.09 per cent |

91. By July 2005, distribution of flour to special hardship case families was phased out in Jordan, Lebanon and the Syrian Arab Republic and mixed pulses were introduced as a substitute. This step was necessitated by funding shortfalls; by the realization that the distribution of flour was no longer an effective intervention; and by the desire to introduce commodities with richer protein content. UNRWA was also obliged to freeze its annual special hardship case assistance ceiling (instead of increasing the ceiling annually by the customary 3.5 per cent) due to shortage of funds, thereby decreasing the percentage of impoverished refugees receiving safety net assistance.

92. The social services programme continued to provide tens of thousands of women, persons with disabilities, children and youth with the assistance and the skills needed to encourage their personal and economic development. This was achieved through a network of 104 community-based organizations managed by dedicated community volunteers. In Lebanon, 151 unemployed refugee women

gained access to training and employment opportunities through the expansion of an apprenticeship programme. In the West Bank, three centres introduced programmes that allowed 73 women to obtain high school diplomas through structured education classes. A new Women's Programme Centre with a kindergarten was established in Jenin Camp and opportunities for women to gain access to information was increased through the newly established Internet café at the Women's Programme Centre in Madaba, Jordan. The disability programme constructed a new school in Rafah in the Gaza Strip for refugees with hearing impairments, with an audiology centre and vocational training facilities. In the West Bank, an Artificial Limbs and Prosthetic Devices Unit was inaugurated in Jenin Camp. In the Syrian Arab Republic, a comprehensive survey was conducted in all camps in coordination with the United Nations Children's Fund and the General Authority for Palestine Arab Refugees, to establish a disability database to improve planning and service delivery. Another survey was conducted in Lebanon in cooperation with the Palestinian Disability Forum, targeting children aged 3 to 18 years of age.

93. Social workers and their immediate supervisors participated in the second phase of a certified education training programme, developed in collaboration with Southern Illinois University, Carbondale, United States of America, in order to learn how to implement a best practice generalist approach to social work. In 2005, 223 staff in Jordan, the Syrian Arab Republic, Lebanon and the West Bank successfully completed four out of the eight required courses, while 91 social workers and their immediate supervisors from the Gaza Strip completed only two courses due to repeated closures and travel restrictions.

94. Difficulties continued in planning for the shelter rehabilitation programme, since it relies on project funding. The ability to implement a more developmental approach, in which refugees contribute their own labour or resources, is constrained because donors require a quick turnaround time for shelter project implementation — which leaves insufficient time for staff to work with families on a self-help basis.

#### **D. Performance report for sub-goal IV: microfinance and microenterprise**

95. The goal of the Agency's microfinance and microenterprise programme is to promote economic development and alleviate poverty. This is achieved through the provision of credit for small enterprises, household consumption and housing needs. The aim is to improve the quality of life of small business owners, sustain jobs, reduce unemployment and poverty, create household assets, improve housing stock and empower women. Highlights include the following:

(a) In 15 years, the programme has financed over 106,000 loans totalling \$109 million and is now the largest microfinance provider in the occupied Palestinian territory;

(b) The programme's base loan capital increased by \$5.23 million thanks to donations made in the context of the Gaza disengagement. It was also able to develop its small-business-training subprogramme and expand its credit operations;

(c) The programme expanded its branch office network to 10 offices, which will increase by an additional three offices in the West Bank, Jordan and the Syrian Arab Republic in 2006;

(d) With financial support obtained at the time of the Gaza disengagement, the programme was able to secure funding to pilot a new housing loan product, which will be expanded to the West Bank, Jordan and the Syrian Arab Republic once it has been successfully tested in the Gaza Strip in 2006;

(e) The programme successfully administered the PalFund, a new development-financing trust fund supported by the Organization of Petroleum Exporting Countries Fund for International Development to support businesses in the occupied Palestinian territory. UNRWA financed 2,629 PalFund loans totalling \$2.38 million;

(f) In order to benchmark its performance, the programme is participating in the MIXmarket and MicroBanking Bulletin, in which its performance is compared and scaled with another 631 microfinance institutions. In order to further improve its transparency, the programme contracted an institutional rating to be conducted on its performance in 2005. This rating will assess, inter alia, the governance, risk management, activities and services of the programme.

Table 6  
Performance by indicator

| Expected accomplishment                                            | Performance indicator              | Achievements   |                 |
|--------------------------------------------------------------------|------------------------------------|----------------|-----------------|
|                                                                    |                                    | 2005 target    | 2005 result     |
| Microenterprise credit                                             |                                    |                |                 |
| Increased business development and income-generating opportunities | Number of loans disbursed          | 15,000         | 14,826          |
|                                                                    | Total value of loans financed      | \$13 million   | \$15.66 million |
| Improved outstanding portfolio and number of active loans          | Number of active loans             | 10,000         | 9,500           |
|                                                                    | Total value of outstanding loans   | \$6.50 million | \$6.46 million  |
|                                                                    | Repayment rate                     | 97 per cent    | 96.6 per cent   |
| Solidarity group lending                                           |                                    |                |                 |
| Increased capacity of women microentrepreneurs                     | Number of loans disbursed to women | 4,100          | 4,852           |
|                                                                    | Total value of loans financed      | \$3 million    | \$3.04 million  |
| Improved outstanding portfolio for women clients                   | Number of active loans to women    | 3,150          | 3,338           |
|                                                                    | Total value of active loans        | \$1.49 million | \$1.29 million  |
|                                                                    | Repayment rate                     | 97 per cent    | 95 per cent     |

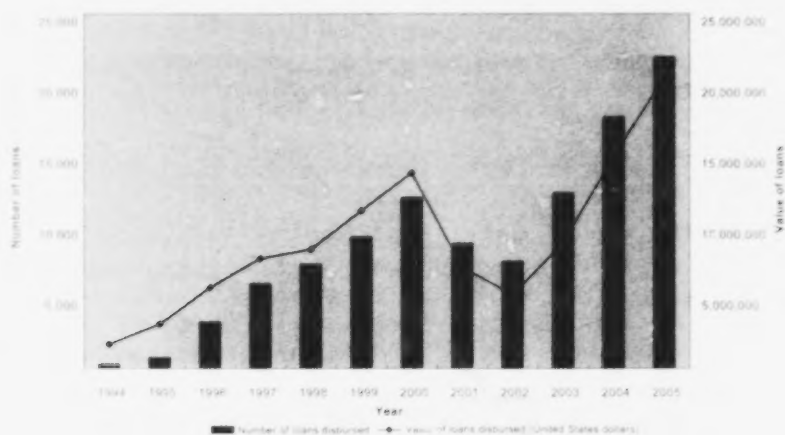
| Expected accomplishment                                                           | Performance indicator            | Achievements   |                |
|-----------------------------------------------------------------------------------|----------------------------------|----------------|----------------|
|                                                                                   |                                  | 2005 target    | 2005 results   |
| Consumer lending                                                                  |                                  |                |                |
| Increased financial services to poor people that are unable to access bank credit | Number of loans disbursed        | 2,500          | 2,210          |
|                                                                                   | Total value of loans financed    | \$1.10 million | \$1.32 million |
| Improved outstanding portfolio for consumer clients                               | Number of active loans           | 1,860          | 1,616          |
|                                                                                   | Total value of outstanding loans | \$0.53 million | \$0.63 million |
|                                                                                   | Repayment rate                   | 97 per cent    | 94 per cent    |
| Small-scale enterprise                                                            |                                  |                |                |
| Increased business development opportunities for small-scale enterprises          | Number of loans disbursed        | 150            | 51             |
|                                                                                   | Total value of loans financed    | \$1.50 million | \$0.47 million |
| Improved outstanding portfolio                                                    | Number of active loans           | 200            | 94             |
|                                                                                   | Total value of outstanding loans | \$2.50 million | \$0.71 million |
|                                                                                   | Repayment rate                   | 96 per cent    | 80 per cent    |

#### Significant activities

96. Although the programme grew significantly in 2005, it continued to suffer from risks associated with the continuing intifada, the rise in inter-Palestinian strife and an intensified closure regime. This resulted in the programme not being able to achieve full operational self-sufficiency in 2005. Thus, the operational self-sufficiency rate of the programme was just 86 per cent and the programme ran a loss of \$491,614 on operations during the year. Operational self-sufficiency performance in the West Bank was lowest, at 72 per cent, followed by the Gaza Strip at 86 per cent. While the programme has taken significant risk-mitigation measures, the current performance is the inevitable result of maintaining microfinance operations during conflict.

97. After just over two years, the offices in Jordan and the Syrian Arab Republic are operating profitably. The programme in the Syrian Arab Republic is a model of efficiency, with high staff productivity and a very low portfolio-at-risk rate. In 2005, the operational self-sufficiency rate was 110 per cent. The operation in Jordan, although less productive, has achieved a very profitable operational self-sufficiency rate of 163 per cent. Given that, it has been unfortunate that UNRWA has been unable to raise the donor funding needed to match the strategic objectives and outreach targets in the Agency's medium-term plan for 2005 to 2009. As a result, the programme lacked resources to expand its network of offices.

Figure V  
Annual lending of the microfinance and microenterprise programme



98. In 2005, the programme experienced its highest level of outreach since the start of the intifada. The declining outreach of the two years following 2000 appears to have halted — although the programme is not immune to further economic shocks. The programme produced record outreach in 2005, when it financed 22,000 loans totalling \$20.49 million. Half of this financing was in the Gaza Strip, 31 per cent in the West Bank, 12 per cent in Jordan and 7 per cent in the Syrian Arab Republic.

99. A key to improving the programme as it grows is to modernize its management information system. For three years, the programme has been planning to replace its four outdated loan management information databases. These were developed in-house when the programme was structured quite differently and are no longer able to provide the required level of financial and managerial reporting. They are also inefficient, expensive and time-consuming to use. These systems need to be replaced with a new online, centralized database that will allow the programme to streamline management reporting, decentralize decision-making and rationalize staffing. To achieve this, a 700-page user requirement document was developed and used as the basis for two (so far unsuccessful) bidding processes. The current inability to find an appropriate and cost-effective information system is hindering the effectiveness of the programme.

100. The crisis in the occupied Palestinian territory and the chronic shortfall in project funding in Jordan and the Syrian Arab Republic caused the programme to fall short of the loan financing goals presented in the medium-term plan. Nevertheless, it was more successful in achieving the modified, results-based indicators that took account of these risks. It achieved just 69 per cent of the medium-term plan loan outreach objectives in the Gaza Strip, 67 per cent in both the West Bank and Jordan and 53 per cent in the Syrian Arab Republic. Overall, it achieved just 60 per cent of its loan financing objective and has not had sufficient financing to expand its network of branch offices as rapidly as desired.

